

1965 ANNUAL REPORT



ANHEUSER-BUSCH / INCORPORATED

Budweiser,
Michelob,
Bud,
Busch
are registered
trademarks of
ANHEUSER-BUSCH, INC.



BUSCH . . .

is available in bottles, cans and on draught. Packaged in bottles and cans, it is available in six-packs and by the case.

BUDWEISER . . .

is available in bottles, cans and on draught. Both bottles and cans are available in six-packs and by the case.

MICHELOB . . .

is available in bottles and on draught. In the distinctive bottle, it is sold in the "Twin-Three" pack, 12 bottle case, and 24 bottle case. On draught and in bottles, Michelob is featured by some of the most famous hotels and clubs in this country.

DIRECTORS

*AUGUST A. BUSCH, JR.
Chairman of the Board
AUGUST A. BUSCH III
*DAVID R. CALHOUN, JR.
JOHN FLANIGAN
*A. VON GONTARD
Vice Chairman of the Board
JOHN F. KREY II
H. NORRIS LOVE
*J. W. McAFFEE
*R. A. MEYER
JAMES B. ORTHWEIN
FREDERIC M. PEIRCE
W. R. PERSONS
WALTER C. REISINGER
*ETHAN A. H. SHEPLEY
*JOHN L. WILSON

*Members of Executive Committee

OFFICERS

AUGUST A. BUSCH, JR.
President
R. A. MEYER
Executive Vice President
AUGUST A. BUSCH III
Vice President and General Manager
FRANK H. SCHWAIGER
Senior Vice President—Brewing
E. H. VOGEL, JR.
Vice President
C. J. HAUSER
Vice President
HENRY N. McCLUNEY
Vice President
GEO. W. COUCH, JR.
Vice President
JOHN FLANIGAN
Vice President
WALTER T. SMITH, JR.
Vice President
HUGO WANINGER
Vice President
R. C. GADSBY
Vice President
OWEN RUSH
Vice President
RICHARD J. BENDER
Vice President
PAUL C. GUIGNON
Vice President
THOMAS R. SCANLAN, JR.
Vice President
JOHN H. PAHLMANN
Controller
MRS. K. SIEBERT
Secretary
REID McCURM
Treasurer
R. A. RAWIZZA
Assistant Controller
JOHN L. HAYWARD
Ass't Secretary & Ass't Treasurer
THOMAS J. CARROLL
Assistant Secretary
STUART F. MEYER
Assistant Secretary

Annual Report to Shareholders of



ANHEUSER-BUSCH, INCORPORATED

SAINT LOUIS, MISSOURI

CONTENTS

	Page
The President's Letter	2
The Year at a Glance	3
Review of the Year	4-7
Consolidated Balance Sheet	8-9
Consolidated Statement of Income and Retained Earnings	10
Consolidated Statement of Source and Application of Funds	11
Notes to Consolidated Financial Statements	12-13
Independent Accountants Opinion	13
Ten Year Financial Summary	14-15
Expansion	16-20
Anheuser-Busch Products	Inside Covers

STOCK TRANSFER AGENTS

ST. LOUIS UNION
TRUST COMPANY
510 Locust Street
St. Louis, Missouri

CHEMICAL BANK NEW YORK
TRUST COMPANY
20 Pine Street
New York, New York

STOCK REGISTRARS

MERCANTILE TRUST COMPANY
NATIONAL ASSOCIATION
721 Locust Street
St. Louis, Missouri

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK
30 West Broadway
New York, New York

DEBENTURES—TRUSTEE, REGISTRAR AND PAYING AGENT

MANUFACTURERS HANOVER
TRUST COMPANY
40 Wall Street
New York, New York

To the Shareholders of Anheuser-Busch, Incorporated:

The last year, 1965, was one of the best years in the Company's history. We set new records in sales and earnings.

The Company's total dollar sales were \$553,509,809 as compared with \$491,384,307 in 1964, an increase of 13 per cent. Earnings were up 31 per cent — \$25,760,719 or \$2.39 per share, as compared with \$19,645,774 or \$1.82 per share in 1964.

Beer volume amounted to 11,841,325 barrels, reflecting an increase of 1,471,495 barrels, or 14 per cent, over 1964. This increase compares with an increase of approximately 2 per cent for the entire United States brewing industry. Each of our brands — Budweiser, Michelob, and Busch Bavarian — showed a volume increase over 1964. Sales of our non-beer divisions, consisting of the Bakery Products Division, Corn Products Division and Consumer Products Division, increased 3 per cent over 1964 and accounted for 13 per cent of the net sales of the Company. Earnings contributed by these divisions increased substantially over 1964.

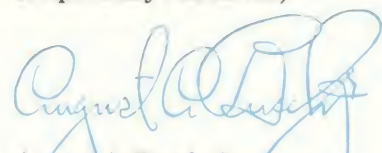
In April 1965 the common stock of the Company was split 2 for 1. In October 1965 a 10% stock dividend was declared, payable in January 1966. Thus, for every 10 shares of common stock you held at this time in 1965 you now have 22. All per share statistics in this report, except dividends, have been computed on the appropriate number of shares outstanding after the January stock dividend. Dividends per share are reported on the appropriate number of shares outstanding before the 10% stock dividend payable in January 1966.

The newest addition to the Anheuser-Busch plant attractions is Busch Gardens which is currently under construction adjacent to our Los Angeles brewery. It will be open to the public in the very near future. We hope that this newest addition to our attractive plants will, in time, be as popular as our Busch Gardens at Tampa, Florida, which attracted more than 2,000,000 visitors in 1965. As our brewery in Houston nears completion, we are studying plans for a Busch Gardens adjacent to that plant.

The feature story in this report concerns the facility expansion plan of our Company. Anheuser-Busch must plan its growth years ahead for the expansion of its production facilities. It takes approximately three years to plan and build an Anheuser-Busch brewery. Therefore, the designing of the facility must commence at least three years in advance of forecast sales volume demand.

During 1965 your management has again had the cooperation of its shareholders, its employees and its Board of Directors. To all of them we publicly express our sincere appreciation for their confidence in management. In conducting our business we shall do everything to assure a continuance of that confidence.

Respectfully submitted,



August A. Busch, Jr.
President and Chairman of the Board



**THE
PRESIDENT'S
LETTER**

THE ANNUAL MEETING

*of the shareholders of the
Company will be held on
Wednesday, April 27, 1966 at
10:00 a.m., C.D.S.T. A notice
of that meeting and proxies on
behalf of the management
will be sent to the shareholders
on or about March 21, 1966*

THE YEAR AT A GLANCE

YEAR ENDED DECEMBER 31

	1965	1964
Barrels of beer sold.....	11,841,325	10,369,830
Sales	\$553,509,809	\$491,384,307
Inventory turnover in cost of sales.....	8.2 times	7.5 times
All costs and expenses except taxes.....	364,593,900	329,646,609
All taxes.....	163,155,190	142,091,924
Per share (1).....	15.14	13.16
Earnings.....	25,760,719	19,645,774
Ratio to net sales.....	6.1%	5.2%
Return on average invested capital.....	13.6%	11.1%
Per share (1).....	2.39	1.82
Cash dividends paid.....	9,490,632	8,049,597
Per cent of earnings distributed.....	37%	41%
Per share (2).....	.97	.82
Earnings retained.....	16,270,087	11,596,177
Provision for depreciation charged to operations.....	15,638,535	14,296,423
Capital expenditures.....	46,587,289	25,378,480

FINANCIAL CONDITION AT DECEMBER 31

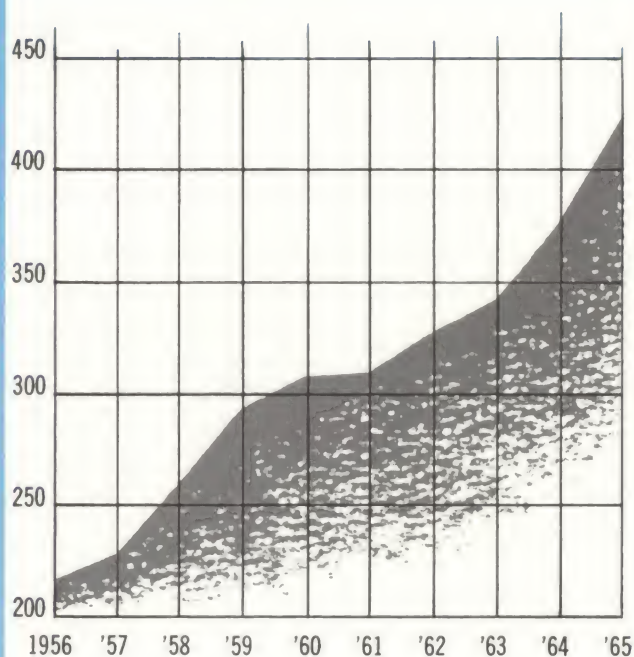
Current assets.....	117,924,558	118,417,708
Current liabilities.....	40,963,205	26,860,001
Working capital.....	76,961,353	91,557,707
Working capital ratio.....	2.9 to 1	4.4 to 1
Investments and other assets.....	12,048,387	12,509,604
Net property.....	169,472,510	139,776,970
Per share (1).....	15.73	12.94
Long-term debt.....	52,265,000	55,760,000
Per share (1).....	4.85	5.16
Shareholders equity.....	197,609,877	182,558,450
Per share (1).....	18.34	16.90

Number of shares outstanding at December 31 (1).....	10,773,419	10,800,149
Number of shareholders at December 31.....	17,681	15,678
Number of employees at December 31.....	9,074	8,580
Total payroll cost.....	\$92,625,404	\$85,231,908

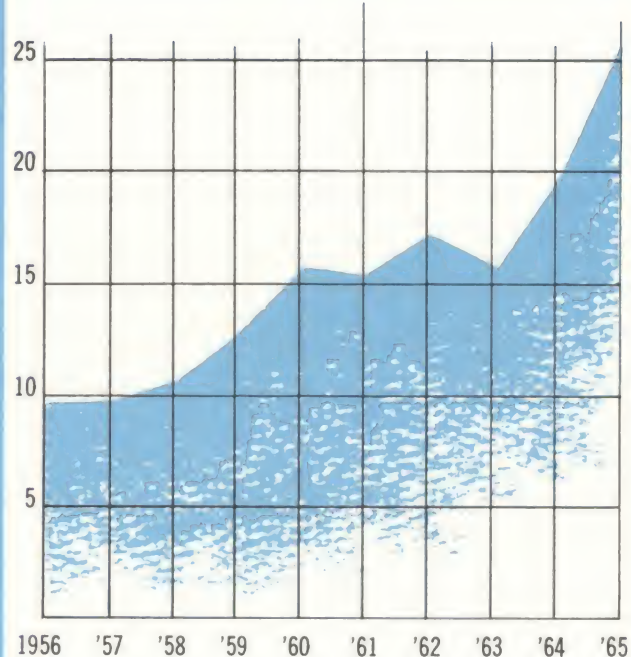
(1) Shares outstanding and per share figures reflect two-for-one stock split in 1965 and 10% stock dividend declared in 1965, distributed January 31, 1966.

(2) Per share figures reflect two-for-one stock split in 1965.

NET SALES



NET EARNINGS



REVIEW OF THE YEAR...1965

The following summary compares the operations of 1965 with 1964:

	In Thousands		
	1965	1964	Change
Barrels sold (all beers)	11,841	10,370	1,471
Net sales	\$421,858	\$376,240	\$45,618
Cost of doing business	372,109	336,927	35,182
Income before taxes	49,749	39,313	10,436
Tax provision	23,988	19,667	4,321
Earnings	25,761	19,646	6,115
Per share	2.39	1.82	.57

Cash dividends of \$0.97 per share were paid in 1965. The Company paid cash dividends in each of the past 33 years, plus stock dividends in the years 1953, 1954 and in January 1966.

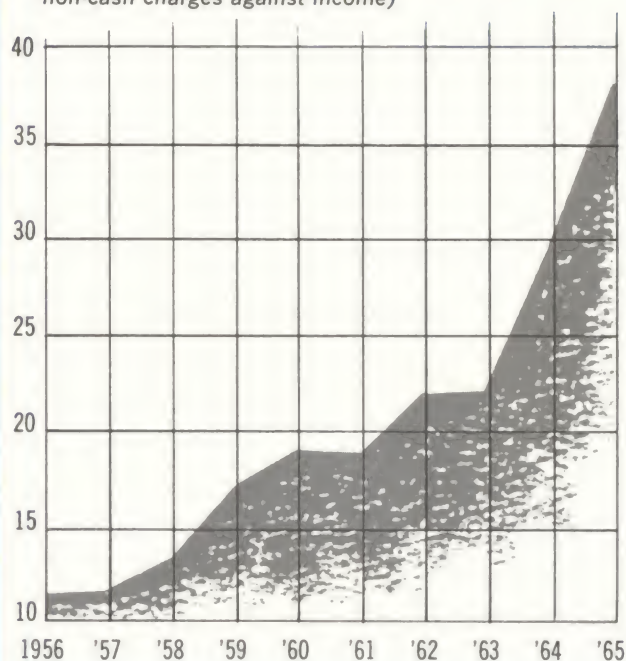
Condensed statement of beer volume and consolidated earnings by quarters is shown below:

	In Thousands			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Barrels sold (all beers)	2,463	3,260	3,288	2,830
Net sales	\$89,916	\$114,845	\$116,198	\$100,899
Depreciation provision	3,804	3,923	3,923	3,989
Income before taxes	9,840	14,804	15,487	9,618
Earnings	5,146	7,728	8,065	4,822
Per share48	.72	.75	.44

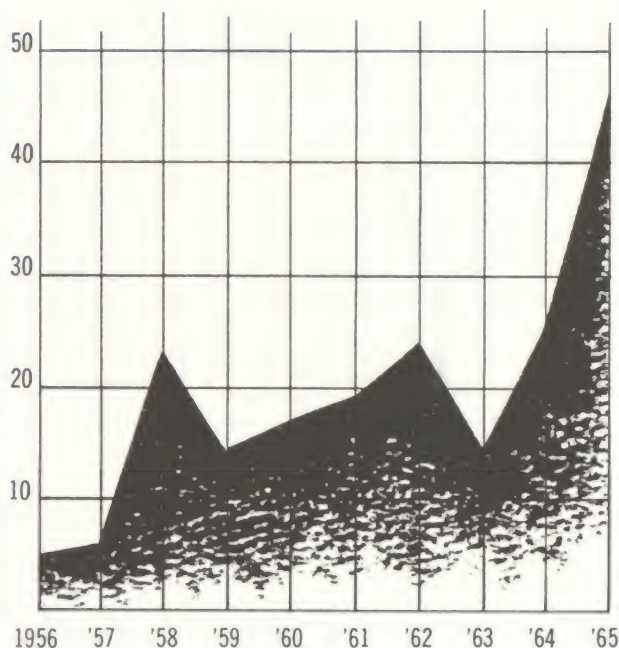
Return on average invested capital for the year was 13.6% compared with 11.1% for 1964, and the ratio of earnings to net sales was 6.1% compared with 5.2% for 1964.

AMOUNT PROVIDED FOR EXPANSION

(Retained earnings plus
non-cash charges against income)



CAPITAL ADDITIONS



WORKING CAPITAL

Working capital at December 31, 1965, was \$76,961,353 and working capital ratio was 2.9 to 1. Cash and marketable securities (excluding U.S. Government securities deducted from current liabilities) aggregated \$58,463,474.

The following statement summarizes the flow of funds for 1965:

	In Thousands
	1965
SOURCE OF FUNDS	
Net earnings	\$25,761
Non-cash charges against income	19,216
Sale of common stock under stock option plan	1,516
Other	1,219
Total	47,712
DISPOSITION OF FUNDS	
Additions to property accounts	46,587
Dividends paid	9,491
Purchase of common stock for treasury	2,735
Long-term debt reduction	3,495
Total	62,308
Working capital decreased	\$14,596

PROPERTY

The following schedule presents capital expenditures and depreciated values for the past five years, including Busch Stadium:

	In Thousands	
	Additions	Depreciated Value December 31
1961	\$ 19,434	\$117,177
1962	23,470	128,318
1963	14,546	129,767
1964	25,378	140,544
1965	46,587	169,862
Total	\$129,415	

The Company uses guideline rates permitted by the Treasury Department in computing depreciation for tax purposes. The resultant tax reduction of \$2,660,000 for 1965 has been credited to deferred income taxes. There was no effect on income for the year.

The Company follows the policy of deferring the income tax reduction provided by the investment credit provision of the Revenue Act of 1962. These deferred investment credits are reflected in income

over the productive lives of the qualified property additions.

INCOME DOLLAR ALLOCATIONS

Comparison of the changes in the analysis of the Company's income dollar for 1965 and 1964 is shown below:

In Thousands				
	1965	%	1964	%
For materials and supplies	\$214,294	37.1	\$187,080	36.5
To governments for taxes	163,155	28.3	142,092	27.7
To employees for salaries, wages and benefits	90,489	15.7	83,136	16.2
For all other costs and expenses	83,936	14.5	80,509	15.7
Total cost and expenses	551,874	95.6	492,817	96.1
Cash dividends paid to shareholders	9,491	1.6	8,050	1.6
Earnings retained in business	16,270	2.8	11,596	2.3
Income dollar	\$577,635	100.0	\$512,463	100.0

TAXES

Total taxes applicable to 1965 operations (not including the many hidden taxes included in materials and services purchased) amounted to \$163,155,190; direct taxes for the last three years were:

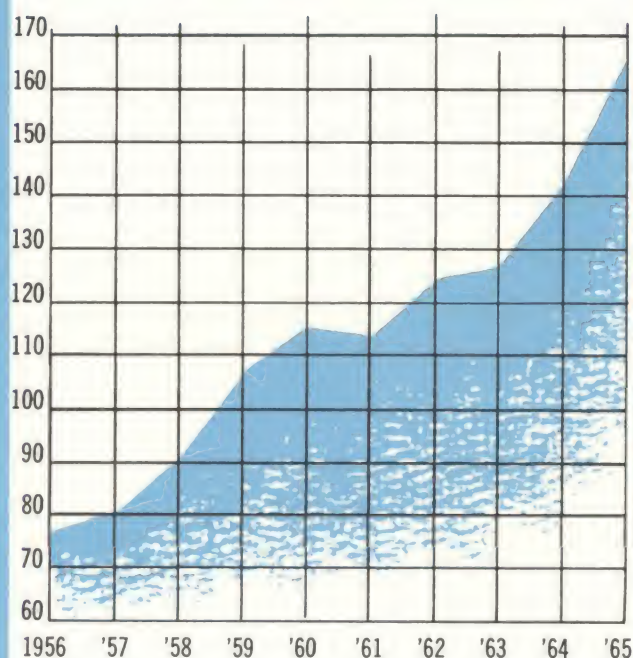
In Thousands			
	1965	1964	1963
Federal and state excise taxes on beer	\$131,906	\$115,451	\$104,035
Federal and state income taxes	23,988	19,667	16,530
All other taxes	7,261	6,974	6,573
Total	\$163,155	\$142,092	\$127,138
Per share	15.14	13.16	11.78

SHAREHOLDERS

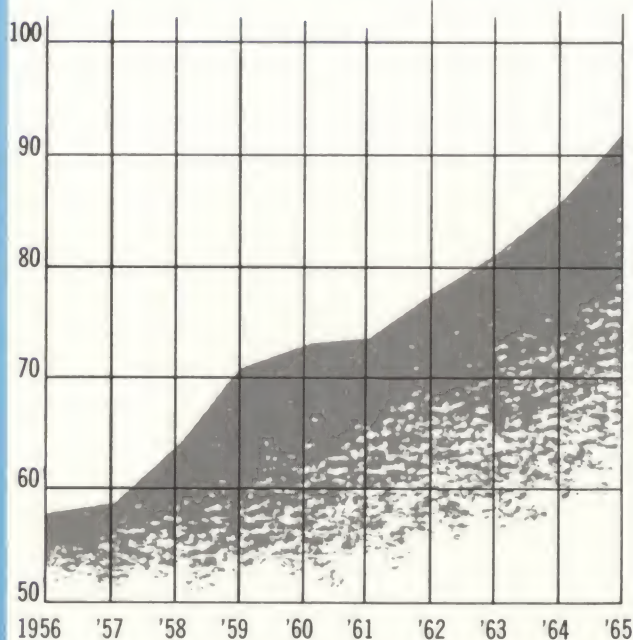
At the close of the year, shareholders numbered 17,681 compared with 15,678 at the end of 1964.

	Holders of Record	Shares Held
Men	5,132	1,676,459
Women	5,077	2,094,785
Joint names	5,596	690,372
Fiduciaries	1,050	2,022,954
Institutions, foundations, brokers, nominees and others	826	4,288,849
Total	17,681	10,773,419

TOTAL TAXES PAID



TOTAL PAYROLL COST



EMPLOYEE RELATIONS

At December 31, 1965, employment was 9,074. Salaries and wages to officers and employees amounted to \$83,160,496. Pension, life insurance and welfare benefits aggregated \$7,328,999; payroll taxes totaled \$2,135,909.

FARM PRODUCTS

The American farmer supplies the domestic hops, barley, rice and other grains used in the production of beer; corn for various corn products; and molasses used in the production of yeasts.

Farm products purchased by the Company in 1965 had an aggregate value of \$48,931,000. Processing of brewers grains and corn produced 143,000 tons of high protein animal feed having a sales value of \$6,766,600.

In the brewing of Budweiser, the Company is one of the few breweries using rice exclusively as an adjunct grain to barley malt.

RESEARCH

Product research is conducted in the Brewing Technical Center servicing our beer divisions and in the Central Research Department servicing our non-beer divisions.

During 1965 the Brewing Technical Center has worked towards greater reliability and economy in brewing and malting. It also works with suppliers to obtain more economical packaging materials.

The Technical Center research engineering staff has spearheaded moves which have effected many economies in by-product utilization.

The Bakery Products Section of the Central Research Department made contributions to both the production and sales operations. In 1965 a new product form, pulverized yeast in thirty pound bags, was introduced, and improvements were made in our regular compressed yeast package. Research was continued on raw material evaluation, with the objective of reducing material costs.

The Corn Products Section of the Central Research Department expanded its research efforts in the field of starch products for the textile industries. New products were developed for the paper industry, including the successful Electra cationic starch.

ST. LOUIS CARDINALS

The financial results of the operations of the

Cardinals for their fiscal year ended October 31, 1965, which are not consolidated, resulted in a net profit of \$336,036.

MANAGEMENT CHANGES

On January 27, 1965 the following officer appointments were made:

Paul C. Guignon — Vice President
Thomas R. Scanlan, Jr. — Vice President
Stuart F. Meyer — Assistant Secretary

On April 28, 1965 R. A. Meyer was appointed Executive Vice President.

On May 26, 1965 John L. Hayward was appointed Assistant Secretary in addition to the office of Assistant Treasurer.

On July 23, 1965 the following officer appointments were made:

August A. Busch III — Vice President and
General Manager
George W. Couch, Jr. — Vice President

CIVIC CENTER REDEVELOPMENT CORPORATION

In 1964 the Company purchased \$5,000,000 of securities of Civic Center Redevelopment Corporation which was formed to redevelop an area adjacent to the central business district of St. Louis by the construction of various improvements including the great new Civic Center Busch Memorial Stadium to be used by the St. Louis Cardinals beginning in the Spring of 1966. These securities were represented by \$4,950,000 of income debentures and 50,000 shares of \$1.00 par value common stock.

The Internal Revenue Service indicated in 1965 that these securities would have a value for tax purposes equal to their face value if contributed to a charitable organization. A closing agreement between the Company and the Internal Revenue Service stipulates that such value would remain the same through December 31, 1968.

In 1965 the Directors authorized a contribution of the Company's investment of \$4,950,000 in the income debentures of the Civic Center Redevelopment Corporation to the Anheuser-Busch Charitable Trust. The contribution will be made in annual amounts of \$1,237,500, 1965 through 1968. The contribution will be deferred for book purposes and charged against income in ten equal annual installments commencing in 1965.

CONSOLIDATED BALANCE SHEET ... ANHEUSER-BUSCH,

ASSETS

	December 31 1965	December 31 1964
Current Assets:		
Cash (including certificates of deposit of \$16,902,179 in 1965 and \$18,922,450 in 1964).....	\$ 29,154,440	\$ 29,465,824
Marketable securities (short-term), at cost which approximates market.....	29,309,034	34,066,992
Accounts and notes receivable, less allowance for doubtful accounts of \$550,000 in 1965 and \$450,000 in 1964.....	21,866,625	19,347,402
Inventories, at lower of cost or market, cost being determined under the "last-in, first-out" method for approximately 54% of total inventories in 1965 —		
Finished goods	6,151,959	5,330,805
Work in process	8,690,648	7,953,513
Raw materials and supplies.....	22,751,852	22,253,172
Total current assets	117,924,558	118,417,708
Investments (at cost) and Other Assets:		
St. Louis National Baseball Club, Inc.....	2,800,000	2,800,000
Civic Center Redevelopment Corporation (Note 1).....	3,762,500	5,000,000
Busch Stadium, less accumulated depreciation of \$2,520,994 in 1965 and \$2,144,456 in 1964.....	389,920	767,132
Deferred charges and other non-current assets.....	5,095,967	3,942,472
	12,048,387	12,509,604
Property, at cost:		
Plant and branch properties —		
Land	9,660,405	8,808,805
Buildings	92,347,209	89,824,622
Machinery and equipment.....	161,765,420	152,058,727
Construction in progress.....	43,000,855	14,410,166
Other real estate.....	2,913,752	3,366,542
	309,687,641	268,468,862
Less accumulated depreciation.....	140,215,131	128,691,892
	169,472,510	139,776,970
	\$299,445,455	\$270,704,282

INCORPORATED and subsidiaries



LIABILITIES

Current Liabilities:

	December 31 1965	December 31 1964
Accounts payable	\$ 18,348,479	\$ 11,681,073
Accrued salaries and wages	4,671,848	3,979,738
Accrued taxes, other than income taxes	7,056,045	4,030,478
Estimated federal and state income taxes, less United States Government securities of \$2,667,399 in 1965 and \$3,053,964 in 1964	9,182,601	5,401,036
Other current liabilities	1,704,232	1,767,676
Total current liabilities	40,963,205	26,860,001

Long-Term Debt:

3 $\frac{3}{8}$ % debentures maturing 1967 to 1977, less \$4,110,000 in treasury in 1965 and \$2,105,000 in 1964	12,265,000	15,760,000
4 $\frac{1}{2}$ % debentures maturing 1969 to 1989	40,000,000	40,000,000
	52,265,000	55,760,000

Deferred Items (Note 2):

Income taxes	6,160,000	3,500,000
Investment tax credit	2,447,373	2,025,831
	8,607,373	5,525,831

Shareholders Equity (Notes 3, 4, and 5):

Common stock, \$2 par value, authorized 15,000,000 shares; issued 10,908,516 shares (including 991,684 shares issued on January 31, 1966 as a stock dividend)	21,817,032	19,722,264
Capital in excess of par value (principally arising from stock dividends)	62,187,361	9,853,529
Retained earnings	116,817,536	153,459,709
	200,821,929	183,035,502
Less cost of treasury stock — 135,097 shares in 1965	3,212,052	477,052
	197,609,877	182,558,450
	\$299,445,455	\$270,704,282

The above statement should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 12 and 13 of this report.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	1965	1964
Sales	\$553,509,809	\$491,384,307
Less federal and state beer taxes	131,651,722	115,144,746
	421,858,087	376,239,561
Costs and Expenses:		
Cost of products sold	304,851,638	273,708,069
Marketing, administrative and general expenses	67,846,641	64,126,349
	372,698,279	337,834,418
Other Income and Expenses:		
Interest income	1,936,242	1,562,246
Interest expense	(2,303,569)	(1,992,114)
Purchase discounts, other income and expenses, net	956,549	1,338,003
Income before income taxes	49,749,030	39,313,278
Provision for Income Taxes (Note 2):		
Current	21,328,311	16,167,504
Deferred	2,660,000	3,500,000
	23,988,311	19,667,504
Net income for the year	25,760,719	19,645,774
Retained earnings at beginning of year	153,459,709	141,863,532
	179,220,428	161,509,306
Cash dividends (Note 3)	9,490,632	8,049,597
Stock dividend of 10% distributed on January 31, 1966 (Note 3)	52,912,260	
Retained earnings at end of year	\$116,817,536	\$153,459,709

Provisions for depreciation of \$15,638,535 in 1965 and \$14,296,423 in 1964 are included in costs and expenses.

CONSOLIDATED STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE

	1965	1964
Balance at beginning of year	\$ 9,853,529	\$ 9,810,262
Excess of approximate market value over par value of common stock issued as a stock dividend (Note 3)	50,928,892	
Excess of option price over par value of common stock sold under stock option plan	1,404,940	43,267
Balance at end of year	\$ 62,187,361	\$ 9,853,529

The above statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 12 and 13 of this report.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS



Funds were provided by:

Operations —

Net income for the year

\$25,760,719 \$19,645,774

Charges to operations not involving cash —

Depreciation

15,638,535 14,296,423

Deferred income taxes

2,660,000 3,500,000

Deferred investment tax credit

421,542 485,439

Contribution of Civic Center Redevelopment

Corporation Debentures

495,000

44,975,796 37,927,636

Sale of 4½% debentures

40,000,000

Sale of common stock under option plan

1,516,340 49,667

Other changes, net

1,219,431 (366,636)

47,711,567 77,610,667

Funds were applied to:

Property additions

46,587,289 25,378,480

Cash dividends paid

9,490,632 8,049,597

Purchase of common stock for Treasury

2,735,000

Investment in Civic Center Redevelopment Corporation

1,875,000

Purchase of company's 3¾% debentures

3,495,000 2,289,000

62,307,921 37,592,077

Net increase (decrease) in working capital

\$(14,596,354) \$40,018,590

Working capital:

At beginning of year

\$91,557,707 \$51,539,117

At end of year

76,961,353 91,557,707

Net increase (decrease), as above

\$(14,596,354) \$40,018,590

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — CIVIC CENTER REDEVELOPMENT CORPORATION:

In 1965, the Directors authorized a contribution of the company's investment of \$4,950,000 in the income debentures of Civic Center Redevelopment Corporation to the Anheuser-Busch Charitable Trust. The company has not authorized a contribution of its \$50,000 investment in the capital stock of Civic Center Redevelopment Corporation. The contribution will be made in annual amounts of \$1,237,500, 1965 through 1968. The closing agreement with the Internal Revenue Service stipulates that the company will be entitled to a tax deduction equal to the face value of the income debentures which are contributed in 1965 and at any time prior to December 31, 1968. The contribution will be deferred for book purposes and written off over a 10 year period commencing in 1965.

NOTE 2 — DEFERRED ITEMS:

The company uses guideline rates permitted by the Treasury Department in computing depreciation for income tax purposes. The income tax reduction of \$2,660,000 in 1965 and \$3,500,000 in 1964 resulted from higher depreciation for income tax purposes than for financial statement purposes. These amounts have been deferred to future years when depreciation reported in the financial statements may exceed the depreciation allowed as a tax reduction. There was no effect on net income for either year.

The investment credit provision of the Revenue Act of 1962 (amended in 1964) permitted the company to reduce federal income tax payments by \$864,770 in 1965 and \$730,513 in 1964. These amounts have been added to the current income tax provision in each year and will be reflected in net income over the productive lives of the qualified property additions.

NOTE 3 — CHANGES IN COMMON STOCK:

On April 28, 1965, the shareholders increased the authorized common stock from 6,000,000 to 15,000,000 shares and approved a two-for-one split of the company's common stock by changing each share of \$4 par value into two shares of \$2 par value.

On October 27, 1965, the Directors of the company declared a 10% stock dividend equal to 991,684 shares, which was distributed to shareholders on January 31, 1966. The stock dividend was recorded in the 1965 accounts by charging retained earnings for \$52,912,260 and crediting capital in excess of par value and common stock for \$50,928,892 and \$1,983,368, respectively. The amount charged to retained earnings was based on the approximate market value of the common stock on the declaration date.

After giving effect to the two-for-one stock split in 1965, cash dividends amounted to \$.97 per share in 1965 and \$.82 per share in 1964.

NOTE 4 — STOCK OPTIONS:

Under a stock option plan adopted by the shareholders in 1955, 183,876 shares of common stock were reserved at December 31, 1965 for issuance to officers and key employees of the company. Options granted before 1964 may not be exercised after ten years from the date of grant and the option prices are 95% of the fair market value of the shares at the date granted. Options granted in 1964 and 1965 may not be exercised after five years from the date of grant and the option prices are 100% of the fair market value of the shares at the date granted. During 1965, an option for 2,200 shares was granted at a price of \$31.42, options covering 1,100 shares were terminated, and options covering 61,270 shares were exercised at prices ranging from \$8.64 to \$29.94 per share. At December 31, 1965, options covering 183,876 shares at prices ranging from \$16.63 to \$31.42 were outstanding, 119,891 of which were exercisable at that date.

The shareholders, at the annual meeting on April 28, 1965, adopted a new stock option plan which conformed to the requirements of the Revenue Act of 1964, and reserved 536,162 shares of common stock for issuance to officers and key employees. At December 31, 1965, no options had been granted under the new stock option plan.

All optioned shares and prices have been adjusted to reflect the stock split and stock dividend mentioned in Note 3.

NOTE 5 — RETAINED EARNINGS RESTRICTION:

The indentures under which the company's long-term debt is issued contain provisions which limit the amount of retained earnings available for cash dividends. Under the most restrictive of these provisions, retained earnings at December 31, 1965 were restricted to the extent of \$74,120,264 against the payment of cash dividends.

NOTE 6 — COMMITMENTS AND CONTINGENCIES:

In connection with the plant expansion and improvement program, the company has commitments for capital expenditures totaling about \$26,546,000 at December 31, 1965.

On July 14, 1961, a complaint was filed against the Company by International Breweries, Inc., in the United States District Court for the Southern District of Florida, at Tampa, alleging that the Company is unlawfully using the word "Bavarian" on one of its beers, and seeking to have the Company enjoined from using the words "Bavarian" and "Bavarian's" in connection with the sale or distribution of beer or closely related products other than in certain areas where such words were used on May 15, 1957. The complaint does not challenge the use by the Company of the trademark "Busch" in connection with the sale of Busch Bavarian beer. In 1964 the District Court decided in favor of the Company and refused to grant plaintiff an injunction concerning the word "Bavarian". Plaintiff has appealed this decision to the United States Court of Appeals for the Fifth Circuit at New Orleans.

On March 30, 1962, a complaint was filed against the Company and Swed Distributing Company and Swed (Louis) Distributing Company by International Breweries, Inc., in the United States District Court for the Southern District of Florida, at Tampa, alleging violations by the Company of the Sherman and Clayton Acts and requesting treble damages.

On February 1, 1962, the Company acquired from Rahr Malting Co., its malting and grain storage facilities at Manitowoc, Wisconsin. On January 31, 1962, in the United States District

Court for the Eastern District of Missouri, Eastern Division, the United States of America filed suit under Section 7 of the Clayton Act to enjoin the Company from this acquisition. No preliminary injunction was sought. The relief sought by the United States is to require the Company to divest itself of the malting and grain storage facilities at Manitowoc acquired from the Rahr Malting Co. The Company has denied violation of Section 7 of the Clayton Act and of any anti-trust acts and the consequent restraint of interstate commerce.

On December 21, 1962, the United States of America filed suit in the United States District Court, Eastern District of New York, against the F.&M. Schaefer Brewing Company and the Company alleging, among other things, that the defendants were engaged in a combination and conspiracy in unreasonable restraint of interstate commerce in violation of Section 1 of the Sherman Act. The main allegation of the complaint is that henceforth the Company would sell its Budweiser beer only to Schaefer for resale to retailers within the New York Metropolitan area. During 1964 the Company discontinued using Schaefer as a distributor in the New York Metropolitan area and this area is

now serviced by independent wholesalers. The government has not withdrawn its suit.

During 1963 two shareholders of the Company filed suit against Mr. August A. Busch, Jr. and the Company asserting that certain sales to Mr. Busch under the Company's Stock Option Plan were in violation of the preemptive rights of the shareholders who had voted against adoption of such Plan in 1955, and also that Mr. Busch was receiving compensation in excess of the value of his services. In January, 1964, the Circuit Court ruled against the suing shareholders on both contentions. The Supreme Court of Missouri, after having affirmed the decision relating to stock options, granted a rehearing thereon. The case is, on the date of this report, pending upon such rehearing. The decision relating to compensation has been affirmed by the St. Louis Court of Appeals.

The Company was defendant in certain other lawsuits at December 31, 1965, the ultimate outcome of which cannot be determined at this time. The Company's liability under such suits, if any, would not materially affect its financial condition or operations.

INDEPENDENT ACCOUNTANTS OPINION...

PRICE WATERHOUSE & CO.

14 SOUTH FOURTH STREET • ST. LOUIS 2

February 8, 1966

To the Shareholders and Board of Directors of
Anheuser-Busch, Incorporated

In our opinion, the accompanying consolidated balance sheet, the related consolidated statements of income and retained earnings, capital in excess of par value, and source and application of funds present fairly the financial position of Anheuser-Busch, Incorporated and its subsidiaries at December 31, 1965, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

TEN YEAR FINANCIAL SUMMARY *(Thousands)*

		1965	1964	1963
SALES AND EARNINGS	Barrels sold	11,841	10,370	9,397
	Net sales	\$421,858	\$376,240	\$343,582
	Depreciation	15,639	14,296	12,964
	Direct Payroll	83,160	76,269	72,780
	Income before income taxes	49,749	39,313	32,116
	Net income	25,761	19,646	15,586
	Net income per share (1)	2.39	1.82	1.44
DIVIDENDS	Total cash dividends	9,491	8,050	7,851
	Cash dividends per share (2)97	.82	.80
BALANCE SHEET INFORMATION	Working capital	76,961	91,558	51,539
	Property, net	169,473	139,777	128,667
	Property additions	46,587	25,378	14,546
	Long-term debt	52,265	55,760	18,049
	Deferred items	8,607	5,526	1,540
	Shareholders equity	197,610	182,558	170,913

(1) Per share figures reflect two-for-one stock split in 1965 and 10% stock dividend declared in 1965, distributed January 31, 1966.

(2) Per share figures reflect two-for-one stock split in 1965.

1962	1961	1960	1959	1958	1957	1956
9,035	8,508	8,477	8,065	6,982	6,116	5,864
\$327,168	\$309,807	\$308,755	\$295,992	\$257,113	\$227,225	\$214,692
12,044	11,158	10,581	10,083	8,497	7,508	7,353
70,023	66,232	65,309	62,843	57,620	53,238	52,528
35,083	30,874	33,451	29,075	22,489	19,956	19,787
17,009	15,116	15,416	13,029	10,836	9,778	9,752
1.58	1.40	1.43	1.22	1.02	.92	.92
7,359	7,346	6,820	6,040	5,787	5,786	5,781
.75	.75	.70	.62½	.60	.60	.60
46,832	51,130	48,341	46,169	42,161	53,325	48,199
127,080	115,774	112,713	106,281	102,646	88,125	90,196
23,470	19,434	17,076	14,180	23,138	5,732	4,557
19,584	21,102	24,493	25,716	25,760	27,231	28,549
263						
163,127	153,429	145,370	135,850	128,325	123,267	119,274





Expansion...

HOUSTON
LAFAYETTE
NEWARK
LOS ANGELES
COLUMBUS

Expansion of production facilities for the Company's Brewing, Bakery, and Corn Products Divisions was a highlight of 1965 for Anheuser-Busch.

The Texas Plant in Houston will soon provide another million barrels annually of Budweiser, Michelob, and Busch Bavarian beers. The plant was pushed toward completion during 1965 and will be finished and ready to begin production in April of this year.

The Newark Plant is being expanded to bring its annual shipping capacity to 3 million barrels of Budweiser and Michelob, an increase of 1.1 million barrels over previous capacity. This project is scheduled to be completed in 1967.

The Los Angeles plant is being expanded by .5 million barrels to bring its annual shipping capacity to 2.2 million barrels. This project is scheduled to be completed in 1967.

In Columbus, Ohio, the Company has purchased 255 acres for the construction of a new brewery with an annual shipping capacity of 1.5 million barrels. The design premise for this facility is being drawn and construction of this plant will begin this year (1966).

This brewery expansion program will increase our annual capacity to more than 16 million barrels.

For the Bakery and Corn Products Divisions, a new plant is under construction in Lafayette, Ind., to provide additional products needed by the bakery, confectioners, textile, and paper industries, as well as the other various manufacturers who use the products of these Divisions in their production processes. This plant will have the capacity to grind 25,000 bushels of corn per day.

Today's plans laid years ago...

Planning for the expansion now going on began years ago. Management considered the information available concerning various areas of the country and projected population and demand requirements to the present. Based on this information, the location and size of the various facilities were determined.

Over the years, the technique to help management make decisions like these has developed to its present sophisticated state. In fact it has become a science, with people specially trained to interpret vital information both before

and after it has been given to a computer. This helps management plan for the future in terms of how much capacity to build and where and when, so as to meet future demands at minimum cost to the Company and our wholesalers.

These are questions we must answer by long-range planning — looking not two or five years, but ten years into the future.

How it's done...

First we have to estimate how much demand we can expect and where it will be. To do this we take into account many trends — population growth, the proportion of adults, adult per capita consumption and the factors affecting it, share of the market, and the expected effects of major marketing strategies. We do this not by state but by marketing area, each in painstaking detail.

Then, having determined where we can expect to be in terms of sales, we proceed to "design" a system of breweries to meet the requirements. We determine the most promising sites for new breweries based on the information we have accumulated — sites that will provide the most economical distribution and the most benefit to our national marketing position. It is possible that we may select twice as many sites as we actually intend to use.

At this point there are many possible combinations under consideration. Which one is the best — in terms of capital cost? distribution cost? flexibility?

To help find the answers we turn to Anheuser-Busch's giant electronic computer. Every alternative that shows promise is fed into the computer, which in a few minutes prints out a detailed answer giving for each market area the number of barrels that it would have received, the brewery that would have shipped the beer (if the brewery existed), and transportation costs. Using these results the number of alternatives is sorted down to a half-dozen or so at the top of the list. Each of these is then studied in exhaustive detail with more computer analysis to find which brewery should be built or expanded in which year to gain the maximum overall advantage.

This planning is another example of the continuing effort to maintain the traditional leadership of our Company — in quality, in production technology, in marketing effectiveness, and in distribution efficiency.

... about the new Texas Brewery
at HOUSTON

LOCATION: On a 105-acre site at Market Street, Gellhorn Drive and Interstate Highway 10.

SIZE: The plant consists of five buildings with a total floor area of approximately 440,000 square feet. The buildings cover an area of more than five acres. Construction throughout is of steel, masonry and concrete.

SHIPPING CAPACITY: 1,000,000 barrels annually.

MARKET AREA: Texas, Louisiana and Southwestern United States.

COMPLETION: Early, 1966.

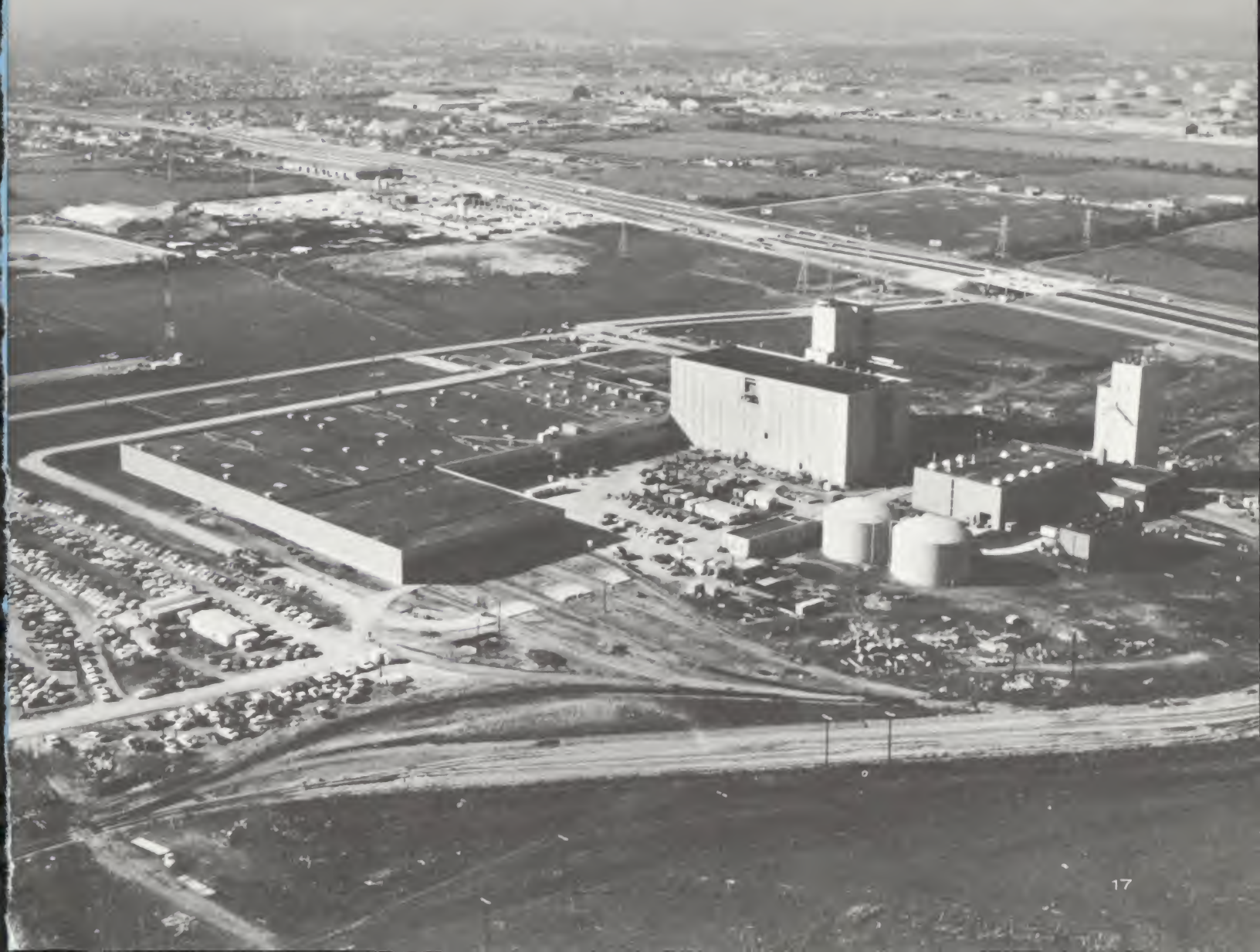
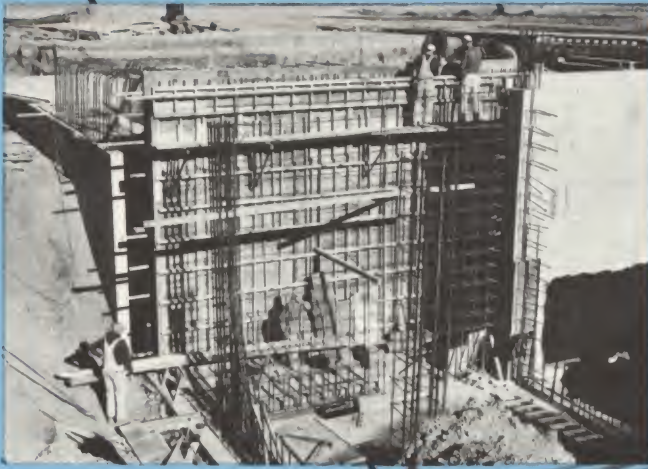


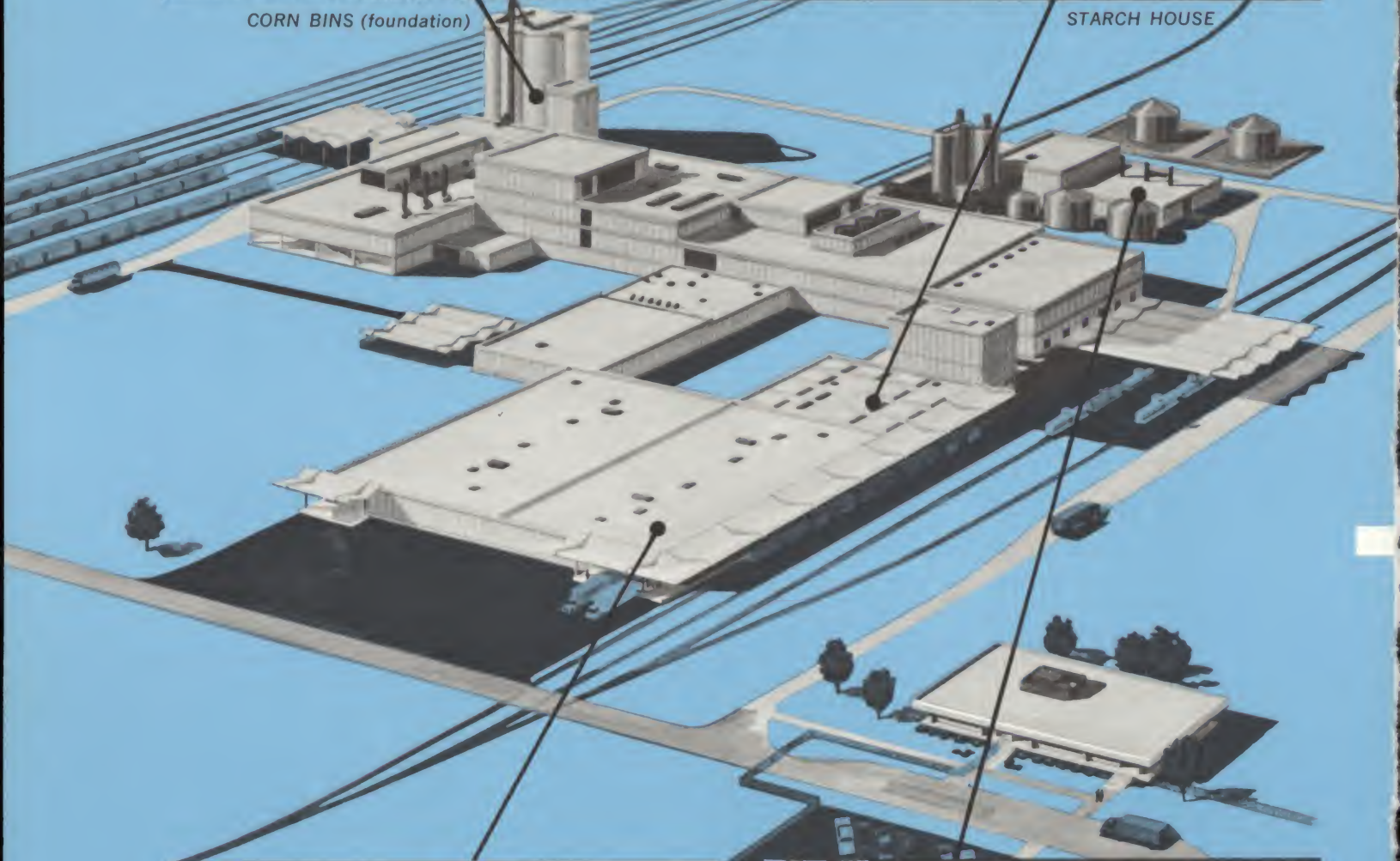
Photo courtesy Lafayette, Ind., Journal & Courier



CORN BINS (foundation)



STARCH HOUSE



WAREHOUSE



BOILER HOUSE

...about the new
Indiana Corn Products Plant
at **LAFAYETTE**

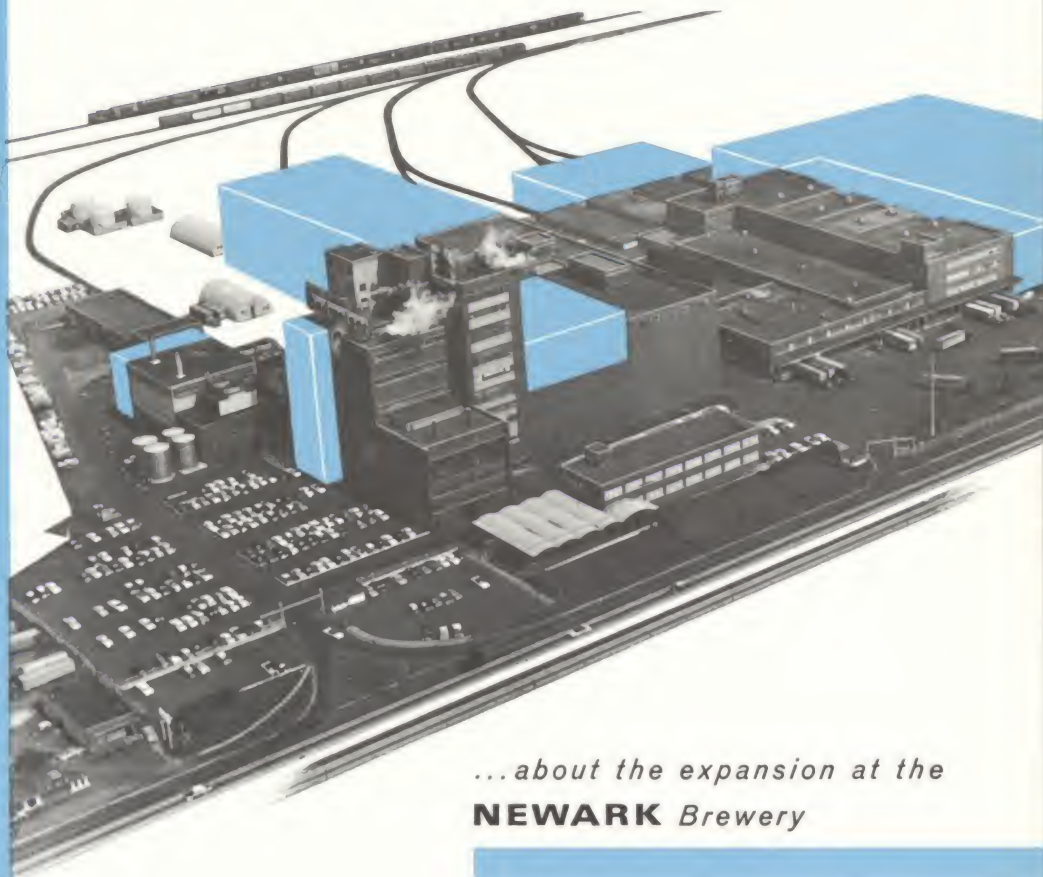
LOCATION: On a 65-acre site adjacent to U.S. Highway 52 Bypass, near the Lafayette city limits.

SIZE: The plant consists of several contiguous buildings containing 244,000 square feet of floor space. Facilities housed include a warehouse, starch plant, starch bin house, feed house, wet mill plant and syrup refinery. Other facilities include an office and utilities building. In addition, there will be four corn silos for storage of 350,000 bushels of corn. Construction throughout is of steel, concrete, and wall panels of modular units of precast concrete. This type of structure is unique in that the wall panels can be removed for expansion of facilities and then reused again.

CAPACITY: This plant will have the capability of grinding 25,000 bushels of corn a day. Provisions for a plant twice this capacity have been incorporated in the master planning of this site.

MARKET AREA: Products to be manufactured at this plant include corn syrup and liquid sweetener as well as starches and gums widely used in the production of confectionery and bakery goods, paper, textiles and even in blasting powder and drilling oil wells. They are used by a wide variety of manufacturers located in many areas of the United States.

COMPLETION: Late, 1966.



...about the expansion at the
NEWARK Brewery

LOCATION: On U.S. Highway 1 near Newark, N.J. The existing plant is on a 51-acre site.

SIZE: The expansion includes a new fermenting cellar, a five-story lager and finishing cellar, a new packaging building and also modernization of equipment throughout the brewery.

ADDITIONAL SHIPPING CAPACITY: 1,100,000 barrels annually.

MARKET AREA: New England and Eastern Seaboard.

COMPLETION OF EXPANSION: Early, 1967.



... about the expansion at the
LOS ANGELES Brewery

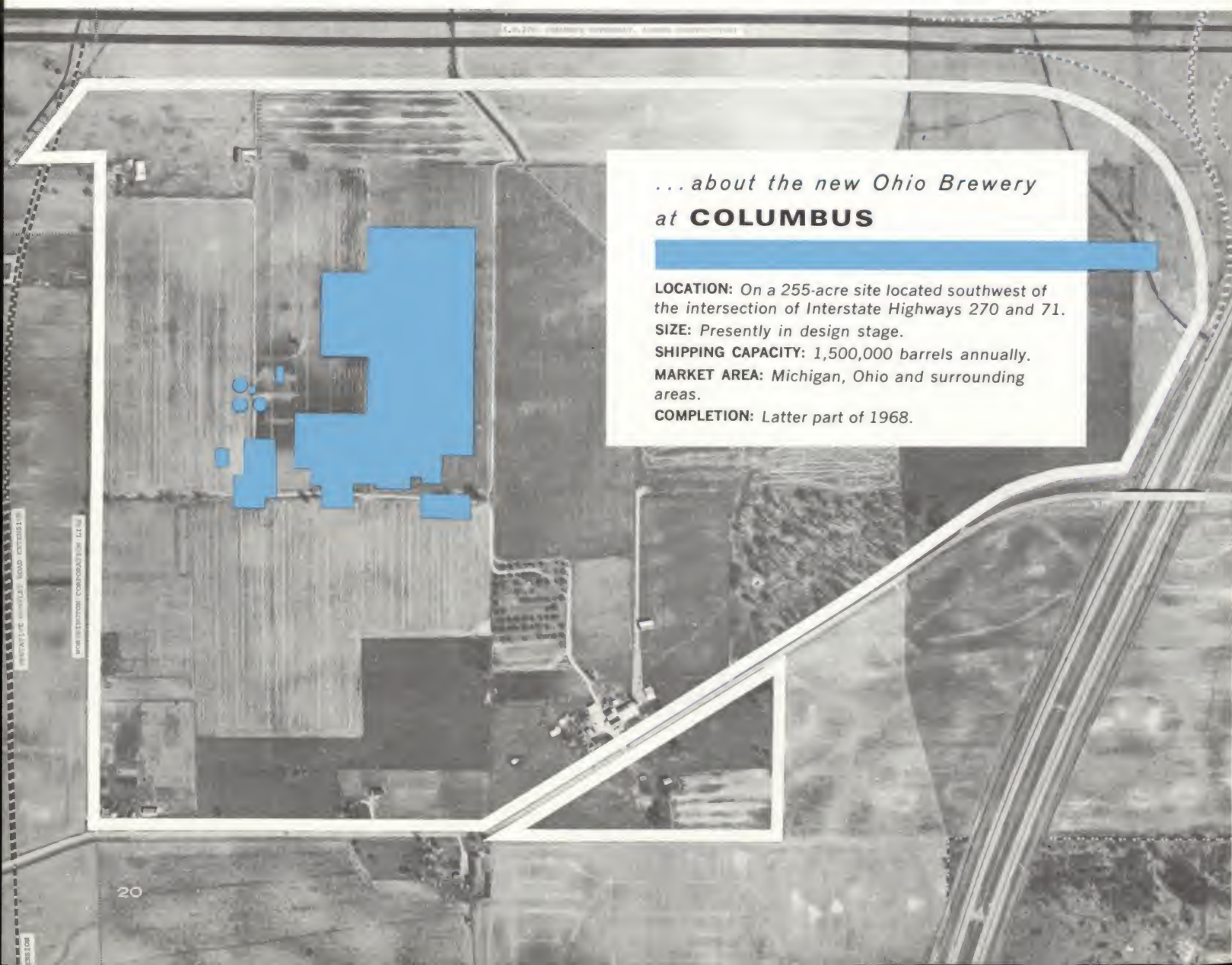
LOCATION: In the city of Los Angeles, California, on Roscoe Blvd. Existing plant is on a 74-acre site.

SIZE: The expansion includes additional fermenting and lagering cellars, additional warehouse space, and the modernization of packaging lines.

ADDITIONAL SHIPPING CAPACITY: 500,000 barrels annually.

MARKET AREA: The entire west coast of the United States and part of Texas.

COMPLETION OF EXPANSION: Mid 1967.



... about the new Ohio Brewery
at COLUMBUS

LOCATION: On a 255-acre site located southwest of the intersection of Interstate Highways 270 and 71.

SIZE: Presently in design stage.

SHIPPING CAPACITY: 1,500,000 barrels annually.

MARKET AREA: Michigan, Ohio and surrounding areas.

COMPLETION: Latter part of 1968.



Our Other Products . . .

In addition to beer, Anheuser-Busch, Inc., produces a broad range of products for consumer use as well as for a variety of commercial and industrial applications.

BAKERY PRODUCTS DIVISION

A leader in service to the baking industry with such products as Yeast, Liquid Sweetener, Frozen and Dried Eggs, Mold Inhibitors, Margarine, and other ingredients. The company operates two large yeast plants—in St. Louis and Old Bridge, New Jersey.

CORN REFINING DIVISION

Provides quality corn syrups and starches for numerous food applications including canned and frozen foods, ice cream and candy; starches, gums and dextrines for industrial uses such as textile production, paper making, oil well drilling, etc. The company operates a corn refinery at St. Louis with a second plant to be completed in late 1966 at Lafayette, Indiana.

CONSUMER PRODUCTS DIVISION

In 1965, a program of expansion in the distribution of Cotton Maid Spray Starch and the Pancake and Waffle Syrups was initiated. Nineteen hundred and sixty-six should witness the development of these products into national distribution and a continued search for additional products to broaden the marketing scope and profitability of this Division.

ANHEUSER-BUSCH

BAKERY PRODUCTS DIVISION
CORN REFINING DIVISION
CONSUMER PRODUCTS DIVISION

Anheuser-Busch, Inc., St. Louis, Mo. 63105



Cotton Maid,
Bud,
Hi-Fi,

Budweiser
are registered
trademarks of

ANHEUSER-BUSCH, INC.

TOURNAMENT
OF ROSES
PARADE ENTRY

“THE NETHERLANDS’ GOLDEN COACH”

Entered for the City of St. Louis, January 1, 1966

The City of St. Louis entry was judged the best float in the parade from a city outside California with a population of more than 600,000 persons.

